

A wide-angle photograph of the Portsmouth harbor. In the foreground, a paved walkway leads towards a concrete seawall. Behind the wall is the harbor water, with several sailboats docked on the right. In the background, a row of colorful houses is visible, followed by a large, multi-story brick building. The sky is filled with soft, white clouds.

City of Portsmouth Disparity Study Report Presentation November 28, 2023

Presented by: Vernetta Mitchell

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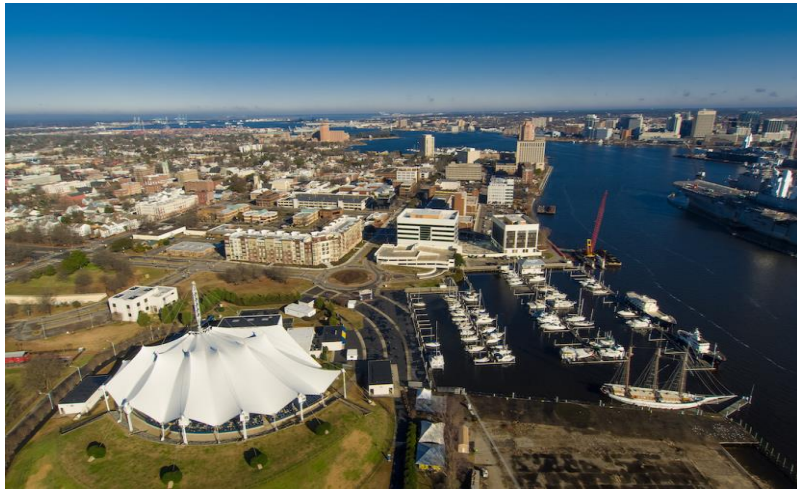
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Project Scope



- ❖ Identify the relevant geographic market area.
- ❖ Analyze the utilization of minority and women in City contracting.
- ❖ Determine estimates of minority and women business availability in the relevant market area.
- ❖ Calculate whether there is statistically significant disparity between the utilization and availability of minority and women businesses.
- ❖ Gather and access qualitative data of the impact of race, ethnicity, and gender on businesses ability to do business in the Portsmouth market area.
- ❖ Determine the economic impact of minority and women business spending in the Portsmouth's marketplace.
- ❖ Provide potential remedies to address any identified disparity.

Relevant Geographic Market

- The geographic market establishes a boundary in which at 75% of the dollars spend during the study period was spent with firms in the geographic market. The relevant market area is used to identify the firms available to do business in the Portsmouth market area.
- Analyzed dollars spent with primes and subcontractors between July 1, 2016, and June 30, 2021.
- Industry categories analyzed:
 - **Construction:** Services include renovation, rehabilitation, repair, alteration, improvement, demolition, and excavation of physical structures.
 - **Architecture & Engineering:** A class of services specifically related to the preparation of plans and specifications for Construction projects.
 - **Professional Services:** Services that require the provider to possess specialized skills, including the holding of advanced degrees and exercise of independent judgement.
 - **Non-Professional Services:** Services that do not require the provider to possess specialized skills, including equipment repair, janitorial, auto repair, security, routine maintenance, etc.
 - **Goods & Equipment:** Purchases of physical items, including but not limited to equipment and materials, excluding land or a permanent interest in land.

Relevant Geographic Market (Chapter 4)

- Relevant geographic market area is the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area which includes the following cities and counties:

Cities: Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg, VA

Counties: Gloucester, Isle of Wight, James City County, Mathews, Southampton, York, VA; Camden, Currituck, Gates, NC

- Overall dollars spent with firms inside of the relevant geographic market area:
 - Construction – 78.30%
 - Architecture & Engineering – 92.51%
 - Professional Services – 36.25%
 - Non-Professional Services – 66.23%
 - Goods & Equipment – 58.41%

CONSTRUCTION	Amount	Percent
<i>Inside MARKET AREA</i>	\$190,667,951	78.30%
Outside MARKET AREA	\$52,852,940	21.70%
CONSTRUCTION, TOTAL	\$243,520,890	100.00%
ARCHITECTURE & ENGINEERING	Amount	Percent
<i>Inside MARKET AREA</i>	\$36,075,767	92.51%
Outside MARKET AREA	\$2,921,385	7.49%
ARCHITECTURE & ENGINEERING, TOTAL	\$38,997,152	100.00%
PROFESSIONAL SERVICES	Amount	Percent
<i>Inside MARKET AREA</i>	\$9,604,535	36.25%
Outside MARKET AREA	\$16,892,243	63.75%
PROFESSIONAL SERVICES, TOTAL	\$26,496,778	100.00%
NON-PROFESSIONAL SERVICES	Amount	Percent
<i>Inside MARKET AREA</i>	\$59,516,413	66.23%
Outside MARKET AREA	\$30,340,937	33.77%
NON-PROFESSIONAL SERVICES, TOTAL	\$89,857,350	100.00%
GOODS & EQUIPMENT	Amount	Percent
<i>Inside MARKET AREA</i>	\$67,811,378	58.41%
Outside MARKET AREA	\$48,279,795	41.59%
GOODS & EQUIPMENT, TOTAL	\$116,091,173	100.00%
ALL BUSINESS CATEGORIES	Amount	Percent
<i>Inside MARKET AREA</i>	\$363,676,043	70.62%
Outside MARKET AREA	\$151,287,300	29.38%
ALL BUSINESS CATEGORIES, TOTAL	\$514,963,343	100.00%

M/WBE Utilization Analysis (Chapter 5)

- Total utilization equaled \$514,963,343 million
- Utilization of M/WBE firms during the study period in all categories is 8.21%.
 - MBE firms earned 2.25%
 - WBE firms earned 5.96%

BUSINESS OWNERSHIP CLASSIFICATION	ALL PROCUREMENT CATEGORIES	
	Dollars (\$)	Percent (%)
African American	\$7,362,984	1.43%
Asian American	\$389,524	0.08%
Hispanic American	\$2,200,370	0.43%
Native American	\$1,649,550	0.32%
Total MBE Firms	\$11,602,427	2.25%
Nonminority Women	\$30,697,546	5.96%
Total M/WBE Firms	\$42,299,973	8.21%
Non-M/WBE	\$472,663,370	91.79%

M/WBE Availability Estimates (Chapter 4)

- Availability estimates the number of firms in the relevant market area that provide the services the City procures based on NAICS descriptions.
- M/WBE availability calculated to 20.36% in all categories.
 - MBE availability totaled 11.79%
 - WBE availability totaled 8.57%

BUSINESS OWNERSHIP CLASSIFICATION	% OF AVAILABLE FIRMS
African Americans	6.31%
Asian Americans	1.85%
Hispanic Americans	2.85%
Native Americans	0.79%
Total MBE Firms	11.79%
Nonminority Women	8.57%
Total M/WBE Firms	20.36%
Non-M/WBE Firms	79.64%

Disparity Results *(Chapter 5)*

- Disparity is examined to determine whether M/WBE firms received a proportional share of dollars based on respective M/WBE availability in the relevant market area.
- **BOLD** indicates substantial statistically significant disparity

Procurement Category	All	Construction	Architecture & Engineering	Professional Services	Non-Professional Services	Goods & Equipment
African Americans	Disparity	Disparity	Disparity	Disparity	Disparity	Disparity
Asian Americans	Disparity	Disparity	Disparity	Disparity	Disparity	Disparity
Hispanic Americans	Disparity	Disparity	Disparity	Disparity	Disparity	Disparity
Native Americans	Disparity	Disparity	Disparity	No Disparity	Disparity	Disparity
Nonminority Women	Disparity	No Disparity	Disparity	Disparity	Disparity	Disparity
Total M/WBE Firms	Disparity	Disparity	Disparity	Disparity	Disparity	Disparity
Non-M/WBE Firms	No Disparity	No Disparity	No Disparity	No Disparity	No Disparity	No Disparity

Private Sector Analysis *(Chapter 6)*

- Analysis of the U.S. Census 2012 SBO data, 2017 ABS data, and the PUMS 2016-2020 data demonstrate that marketplace discrimination exists for M/WBE firms operating in the private sector within the City of Portsmouth's marketplace.
 - Minority and women wages were significantly less in 2016-2020 than those of nonminority males, holding all other variables constant.
 - M/WBE firms were significantly less likely than nonminority males to be self-employed.
 - If they were self-employed, most M/WBE firms earned significantly less in 2016-2020 than self-employed nonminority males, holding all other variables constant.
 - Analysis of observed vs. predicted self-employment rates show that marketplace discrimination impacted these rates. Further, this analysis indicates that holding all factors consistent, race, ethnicity, and gender play a role in the lower level of self-employment for M/WBEs.
- This evidence stands alongside the disparities observed in public sector contracting to illustrate the substantial discriminatory inequities that continue to exist in the City of Portsmouth's marketplace, underscoring its compelling interest in continuing to pursue remedies to address these gaps.

Qualitative/Anecdotal Analysis (Chapter 7)

- Qualitative data and anecdotal comments gathered input from 238 business owners or representatives.
- Input gathered through surveys, 1:1 interviews, focus groups, and business engagement meetings.
- Discrimination and Disparate Treatment
 - A Hispanic American-owned non-professional services provider [4] stated *“I didn’t experience discriminatory barriers when I was trying to get into the industry. But now that I am in the industry and have somehow made a name for myself, people are noticing that a Hispanic woman is doing it. So, now I’m getting a lot of push-back. Even though I have proven myself, people do not trust that I am capable of doing certain things.”*
 - An African American-owned professional services firm [1] stated that the “good ole boy” network has excluded their ability to establish connections with potential clients.
 - An African American-owned professional services firm [2] stated that when they are “not invited” to networking events even though the firm is aware of them, and they try to get an invitation. This experience has impacted the firm’s ability to do business in Portsmouth.

Economic Impact Analysis (Chapter 8)

- The economic impact analysis calculated the total economic impact of the City of Portsmouth's spending with M/WBEs. It illustrates:
 - # of jobs created or supported by M/WBE spending
 - \$ of labor income created,
 - \$ of economic activity generated,
 - \$ of tax revenue generated.
- The return on investment (ROI) is used to measure the profitability of an investment

M/WBE TOTAL SPENDING
ECONOMIC IMPACT SUMMARY
CITY OF PORTSMOUTH

Year	Employment	Labor Income	Value Added	Local, State, and Federal Taxes
2017	26	\$1,067	\$1,434	\$354
2018	24	\$903	\$1,338	\$306
2019	15	\$768	\$1,277	\$288
2020	45	\$2,472	\$3,905	\$660
2021	65	\$3,646	\$5,798	\$1,183
Total Economic Impact	175	\$8,856	\$13,752	\$2,792

PAYBACK AND RETURN ON INVESTMENT
CITY OF PORTSMOUTH

% of Purchasing Budget	ROI	Payback (Years)
50%	58%	3.2
25%	216%	1.6



Recommendations *(Chapter 9)*



- Race- and Gender-Neutral
 - Establish a Small Business Enterprise (SBE) Program
 - Expanded Data Collection and Management
 - Develop a Long-Term Procurement Forecast
 - Develop a Formal Strategy for Business Relationships with Organizations
 - Adopt an Audit Clause for Contracts
 - Establish a Business Inclusion Office
 - Unbundle Contracts
- Race- and Gender-Based
 - Establish a Narrowly Tailored M/WBE Program
 - M/WBE Program Sunset



Recommendations *(Chapter 9)*



- Adopt Annual Aspirational M/WBE Goals

Proposed M/WBE Aspirational Goals

CONSTRUCTION	10%
ARCHITECTURE & ENGINEERING	12%
PROFESSIONAL SERVICES	15%
NON-PROFESSIONAL SERVICES	16%
GOODS & EQUIPMENT	5%
OVERALL	10%



Conclusions



- There continues to be disparity and evidence of discrimination based on a firms' race, ethnicity, and gender to do business in the Portsmouth marketplace.
 - Utilization with M/WBE firms during the study period was at 8.21 percent
 - M/WBE availability estimates in the relevant market areas was 20.36 percent.
 - Statistically significant disparity was identified for African American, Asian American, Hispanic American firms.
- The private sector analysis using U.S. Census data identified disparities in business earnings and self-employment rates meaning that MWBE firms earned less than their non-M/WBE counterparts, and that minorities and women were less likely to be self-employed.



Q & A